

CITY OF WOODSTON, KANSAS

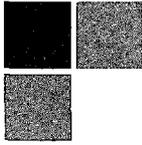
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

CITY OF WOODSTON, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2011

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Woodston, Kansas
Woodston, Kansas

We have audited the accompanying financial statements of **City of Woodston, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Woodston, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **City of Woodston, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Woodston, Kansas**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Woodston, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of **City of Woodston, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Woodston, Kansas

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Woodston, Kansas'** financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

September 10, 2012

CITY OF WOODSTON, KANSAS
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Category							
General Fund	\$ 8,360	-	49,349	52,024	5,685	918	6,603
Special Revenue Funds							
Special Highway Fund	2,800	-	3,119	2,853	3,066	300	3,366
Water Maintenance Reserve Fund	-	-	875	-	875	-	875
Debt Service Funds							
Debt Service Fund	3,579	-	15,146	13,025	5,700	-	5,700
Bond Reserve Fund	10,801	-	239	-	11,040	-	11,040
Capital Project Fund							
Water Treatment Facility Fund	-	-	655,805	907,722	(251,917)	382,287	130,370
Proprietary Fund Category							
Enterprise Funds							
Sewer Fund	7,670	-	4,006	4,424	7,252	313	7,565
Water Utility Fund	47,870	-	66,342	71,247	42,965	5,139	48,104
Total Reporting Entity	<u>\$ 81,080</u>	<u>-</u>	<u>794,881</u>	<u>1,051,295</u>	<u>(175,334)</u>	<u>388,957</u>	<u>213,623</u>
			Composition of Cash				
				Checking Accounts		\$	146,209
				Certificates of Deposit			70,469
				Cash on Hand			35
				Total Cash			<u>216,713</u>
				Less Agency Funds			<u>(3,090)</u>
				Total Reporting Entity		\$	<u>213,623</u>

The notes to the financial statements are an integral part of this statement

CITY OF WOODSTON, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Category					
General Fund	\$ 45,684	8,586	54,270	52,024	(2,246)
Special Revenue Fund					
Special Highway Fund	3,638	-	3,638	2,853	(785)
Debt Service Fund					
Debt Service Fund	16,057	-	16,057	13,025	(3,032)
Proprietary Fund Category					
Enterprise Funds					
Sewer Fund	11,392	-	11,392	4,424	(6,968)
Water Utility Fund	125,415	-	125,415	71,247	(54,168)

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Property Tax				
Ad Valorem Tax	\$ 16,561	15,449	16,561	(1,112)
Delinquent Tax	1,524	639	-	639
Motor Vehicle Tax	3,862	3,786	3,862	(76)
Recreational Vehicle Tax	130	139	130	9
16/20M Vehicle Tax	51	38	51	(13)
Franchise Tax	2,718	6,752	5,000	1,752
Miscellaneous	7,854	1,827	-	1,827
Reimbursements	-	8,586	-	8,586
Interest	-	133	75	58
Transfers In	27,135	12,000	15,000	(3,000)
Total Cash Receipts	59,835	49,349	40,679	8,670
Expenditures				
Personal Services	10,227	7,785	7,467	318
Commodities	12,502	21,100	4,001	17,099
Contractual Services	27,363	23,139	23,602	(463)
Capital Outlay	12,500	-	10,614	(10,614)
(a) Adjustment for Qualifying Budget Credits	-	-	8,586	(8,586)
Total Expenditures	62,592	52,024	54,270	(2,246)
Cash Receipts Over (Under) Expenditures	(2,757)	(2,675)		
Unencumbered Cash - Beginning	11,117	8,360		
Unencumbered Cash - Ending	\$ 8,360	5,685		
(a) Adjustment for Qualifying Budget Credits				
Reimbursed Expense Over Amount Budgeted			\$ 8,586	

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State of Kansas	\$ 2,806	3,119	2,930	189
Equipment Sale	951	-	-	-
Total Cash Receipts	<u>3,757</u>	<u>3,119</u>	<u>2,930</u>	<u>189</u>
Expenditures				
Commodities	455	1,050	625	425
Contractual	1,025	1,803	1,138	665
Capital Outlay	-	-	918	(918)
Street Repair and Maintenance	-	-	957	(957)
Total Expenditures	<u>1,480</u>	<u>2,853</u>	<u>3,638</u>	<u>(785)</u>
Cash Receipts Over (Under) Expenditures	2,277	266		
Unencumbered Cash - Beginning	<u>523</u>	<u>2,800</u>		
Unencumbered Cash - Ending	\$ <u>2,800</u>	<u>3,066</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Water Maintenance Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ -	875
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	875
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	875

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Debt Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 13,500	15,146	13,000	2,146
Expenditures				
Principal	10,000	12,000	12,000	-
Interest	1,870	1,020	1,020	-
Commissions	3	5	25	(20)
Cash Basis Reserve	-	-	3,012	(3,012)
Total Expenditures	11,873	13,025	16,057	(3,032)
Cash Receipts Over (Under) Expenditures	1,627	2,121		
Unencumbered Cash - Beginning	1,952	3,579		
Unencumbered Cash - Ending	\$ 3,579	5,700		

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Bond Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest Income	\$ 234	239
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	234	239
Unencumbered Cash - Beginning	10,567	10,801
Unencumbered Cash - Ending	\$ 10,801	11,040

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Water Treatment Facility Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
USDA Rural Loan Proceeds	\$ -	367,000
USDA Rural Grant Proceeds	-	165,788
CDBG Grant Proceeds	-	123,017
Total Revenues	-	655,805
Expenditures		
Water Treatment Facility	-	907,722
Cash Receipts Over (Under) Expenditures	-	(251,917)
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	(251,917)

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Sewer Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Collections	\$ 4,423	4,000	4,378	(378)
Interest	8	6	-	6
Total Cash Receipts	<u>4,431</u>	<u>4,006</u>	<u>4,378</u>	<u>(372)</u>
Expenditures				
Commodities	472	1,913	500	1,413
Contractual	200	1,489	300	1,189
Capital Outlay	-	-	8,092	(8,092)
Personnel	2,694	1,022	2,500	(1,478)
Total Expenditures	<u>3,366</u>	<u>4,424</u>	<u>11,392</u>	<u>(6,968)</u>
Cash Receipts Over (Under) Expenditures	1,065	(418)		
Unencumbered Cash - Beginning	<u>6,605</u>	<u>7,670</u>		
Unencumbered Cash - Ending	<u>\$ 7,670</u>	<u>7,252</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 68,435	66,060	65,000	1,060
Interest	248	282	-	282
Miscellaneous	180	-	-	-
Total Cash Receipts	<u>68,863</u>	<u>66,342</u>	<u>65,000</u>	<u>1,342</u>
Expenditures				
Personal Services	11,167	7,397	10,000	(2,603)
Commodities	6,966	11,843	12,715	(872)
Contractual Services	14,507	23,986	20,000	3,986
Capital Outlay	-	-	54,500	(54,500)
Water Protection Fees	-	-	200	(200)
Transfers Out	40,635	28,021	28,000	21
Total Expenditures	<u>73,275</u>	<u>71,247</u>	<u>125,415</u>	<u>(54,168)</u>
Cash Receipts Over (Under) Expenditures	(4,412)	(4,905)		
Unencumbered Cash - Beginning	<u>52,282</u>	<u>47,870</u>		
Unencumbered Cash - Ending	<u>\$ 47,870</u>	<u>42,965</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Agency Funds
Summary of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Customer Deposits	\$ 1,109	200	-	1,309
Rural Fire Department	1,945	-	164	1,781
Total Agency Funds	\$ 3,054	200	164	3,090

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Woodston, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and four elected Council members. The financial statements of the City consist of all the funds of the City that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The City has no component units.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2011.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Debt Service Funds – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds – to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Category

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a) Preparation of the budget for the succeeding calendar year on or before August 1st.
- b) Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c) Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d) Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue fund: Water Maintenance Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2011. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$216,713 and the bank balance was \$286,368. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure of the issuer or counterparty, the City will not be able to recover the value of its investments of collateral securities that are in the possession of an outside

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2011.

Compensated Absences

The City has no policy regarding compensated absences. All employees are part-time and do not receive benefits.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the agency funds of the City for special purposes.

Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Woodston, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility Fund	Debt Service Fund	K.S.A. 12-825(d)	\$ 15,146
Water Utility Fund	General Fund	K.S.A. 12-825(d)	12,000
Water Utility Fund	Water Maintenance Reserve Fund	K.S.A. 12-825(d)	875

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 3 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable To Date</u>
Water Treatment Facility	\$ 1,270,000	\$ 907,722

NOTE 4 – LITIGATION

City of Woodston, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 5 – RISK MANAGEMENT

City of Woodston, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, umbrella, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – GRANTS AND SHARED REVENUES

City of Woodston, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Woodston, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 8 – RELATED PARTY TRANSACTIONS

The following related party transactions were identified for 2011. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

James Cantor, Relative of Councilman	\$ 670
Paul Graf, Relative of Mayor	820
Judy Turnbull, Relative of Councilman and Clerk	360

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 8 – RELATED PARTY TRANSACTIONS

Darrell Strutton, Councilman	\$ 320
Doug Reichard, Clerk's Spouse	800
Ron Turnbull, Councilman and Relative of Clerk	180

NOTE 9 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

City of Woodston, Kansas did not maintain a record of each fund's encumbrances as required by K.S.A. 10-1117.

The City failed to remit to the state fiscal agent at least 20 days before the day of maturity of a bond or the interest thereon, funds sufficient for the redemption of such bonds and the payment of the interest thereon per K.S.A. 10-130.

The City did not publish the financial statements annually, showing by fund the beginning and ending balances, receipts, and expenditures along with obligation/liability information, which is a violation of K.S.A. 12-1608.

NOTE 10 – OPERATING LEASE

On April 14, 1992, **City of Woodston, Kansas** entered into a lease agreement for a tract of land for the purpose of establishing an easement for access to the city bulk water plant. The term of the lease is for 99 years commencing April 1, 1992, and ending April 1, 2091. The City agreed to pay \$15.00 per month for a period of one year from April 1, 1992 for the lease of the property. It is considered a paid up lease for the remaining 98 years.

NOTE 11 – DEBT RESTRICTIONS AND COVENANTS

The Water System Revenue Bonds – Series 1990 require **City of Woodston, Kansas** meet certain covenants set forth by the bond company as long as the bonds remain outstanding.

The City has complied with the covenants set forth in Resolution No. 184, which was adopted in 1990, except that the bills were not paid with "proper system of voucher".

There were 91 customers being served by the system at January 1, 2011 and 105 customers being served at December 31, 2011.

The Water System Revenue Bonds – Series 1990 require that water rates charged in each year will enable the City to have in each fiscal year net revenues from the system equal to 125 percent of the maximum debt service requirements to be paid out of said revenues in any succeeding fiscal year with respect to the Bonds. This provision was complied with for the year ended December 31, 2011.

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 11 – DEBT RESTRICTIONS AND COVENANTS (continued)

Net Revenues		\$ 23,116
Maximum Debt Service Requirements	13,020	
	<u>125%</u>	
Net Revenues Required		<u>16,275</u>
Excess		<u>\$ 6,841</u>

NOTE 12 – LONG-TERM DEBT

City of Woodston, Kansas, has the following type of long-term debt.

Revenue Bond

On April 1, 1990, the City issued \$100,000 in Water System Utility – Series 1990 Bonds for the purpose of certain water supply system improvements.

General Obligation Bonds

On September 2, 2011, the City issued \$342,000 in Water Treatment Facility – Series 2011 A Bonds for the purpose of building a water treatment facility.

On September 2, 2011, the City issued \$25,000 in Water Treatment Facility – Series 2011 A Bonds for the purpose of building a water treatment facility.

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 12- LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2011A	3.25%	09/02/2011	\$ 342,000	09/02/2051	-	342,000	-	342,000	342,000	-
Series 2011B	3.25%	09/02/2011	25,000	09/02/2051	-	25,000	-	25,000	25,000	-
Revenue Bond										
Series 1990	8.5%	04/01/1990	100,000	10/2011	12,000	-	(12,000)	(12,000)	-	1,020
Total Long-Term Debt					<u>\$ 12,000</u>	<u>367,000</u>	<u>(12,000)</u>	<u>355,000</u>	<u>367,000</u>	<u>1,020</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 12 - LONG-TERM DEBT (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR												Total
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	
Principal													
General Obligation Bonds	\$ 4,556	4,738	4,892	5,051	5,184	28,705	33,699	39,561	46,424	54,525	64,012	75,653	367,000
Interest													
General Obligation Bonds	11,959	11,811	11,656	11,497	11,332	54,004	49,013	43,154	36,275	28,199	18,718	7,586	295,204
Total Principal and Interest	\$ 16,515	16,549	16,548	16,548	16,516	82,709	82,712	82,715	82,699	82,724	82,730	83,239	662,204

The notes to the financial statements are an integral part of this statement.

CITY OF WOODSTON, KANSAS

Supplementary Information

Certified
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Woodston, Kansas
Woodston, Kansas

We have audited the financial statements of **City of Woodston, Kansas** as of and for the year ended December 31, 2011, and have issued our report thereon dated September 10, 2012. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of **City of Woodston, Kansas** is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing our audit, we considered **City of Woodston, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Woodston, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **City of Woodston, Kansas'** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2011-1) to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2011-2) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Woodston, Kansas'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **City of Woodston, Kansas** in a separate letter dated September 10, 2012.

City of Woodston, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **City of Woodston, Kansas'** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

September 10, 2012



Phone [785]628-3046 ■ Fax [785]628-3089 ■ www.abbb.com

Commerce Bank Building ■ 718 Main ■ Suite 224

P.O. Box 1186 ■ Hays, Kansas 67601

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Public
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Woodston, Kansas
Woodston, Kansas

Compliance

We have audited **City of Woodston, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **City of Woodston, Kansas'** major federal programs for the year ended December 31, 2011. **City of Woodston, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **City of Woodston, Kansas'** management. Our responsibility is to express an opinion on **City of Woodston, Kansas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **City of Woodston, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **City of Woodston, Kansas'** compliance with those requirements.

In our opinion, **City of Woodston, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of **City of Woodston, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **City of Woodston, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not

express an opinion on the effectiveness of **City of Woodston, Kansas'** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

September 10, 2012

CITY OF WOODSTON, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiency identified? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.781	Water and Waste Disposal Systems for Rural Communities - ARRA
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF WOODSTON, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2011-1

Criteria or specific requirement

Internal controls should be in place to insure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The City is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the City implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The City is aware that employees have incompatible duties, and that additional control measures can be implemented to compensate for this. The City will work on implementing additional controls to compensate for the lack of segregation of duties.

B. Significant Deficiency in Internal Control

2011-2

Criteria or specific requirement

Client personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or when preparing financial statements.

Condition

Client personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles.

Effect

Financial transactions and financial statements may not properly reflect financial information in accordance with generally accepted accounting principles.

Cause

The City's employees are unable to obtain the training necessary to obtain these skills due to its size and financial resources.

CITY OF WOODSTON, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

Views of responsible officials and planned corrective actions

The City is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles. However, due to the size and financial resources of the City, it would not be feasible to obtain the necessary training.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

CITY OF WOODSTON, KANSAS
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

No material findings or questioned costs for the year ended December 31, 2010 are required to be disclosed under OMB Circular A-133.

CITY OF WOODSTON, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	N/A	\$ 669,137
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	25,000
Kansas Department of Commerce			
Community Development Block Grant	14.218	10-PF-010	<u>213,585</u>
Total Expenditures of Federal Awards			\$ <u>907,722</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WOODSTON, KANSAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **City of Woodston, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.